



**Date:** May 3, 2016

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Reginald J. Johnson, Director  
Department of Community Development  
**Subject:** Proposed Sale of Property at 521-A Eastway Avenue  
PIN# 0831-10-45-4586.001

### Executive Summary

On September 20, 2004, City Council approved a contract with Century 21 Four Star Realty to market thirty single family and sixteen condominium style units that were to be constructed as part of the Barnes Avenue redevelopment which is now known as Eastway Village. Section 86 of the City Charter authorizes the City Council, by an affirmative vote of at least four members to publicly or privately sell, lease, rent, exchange or otherwise convey real or personal property or any interest in such property belonging to the City. Construction is complete on Phases I, II and III of the development and marketing efforts continue on the remaining units at Eastway Village.

Of the forty-six constructed units at Eastway Village, City Council has approved forty-four Offers to Purchase and Contract. Additionally, the City has received the following offer:

<u>Offer From</u>	<u>Property Address</u>	<u>Sales Price</u>	<u>Earnest Money</u>
Helen V. Reynolds	521-A Eastway Avenue	\$107,900.00	\$500.00

Ms. Reynolds' offer of \$107,900.00 is the City's full price for the single-family condominium unit located at 521-A Eastway Avenue. The proposed financial structure of the purchase is a 2% City of Durham first mortgage loan of \$94,500.00. The buyer's household income does fall at or below 80% of the Area Median Income.

### Recommendation

The Department of Community Development (DCD) recommends that City Council determine the property at 521-A Eastway Avenue to be surplus, authorize the sale of the property under the authority of Section 86 of the City Charter, accept the offer to purchase for the property located at 521-A Eastway Avenue, and authorize the City Manager and the Mayor to sell and convey the property by a non-warranty deed, and authorize the City Manager to terminate the contract for sale if the contract terms are not fulfilled.

### Background

The department issued a Request for Proposal for interested firms and/or individuals to provide marketing and sales services for the Eastway Village development on April 26, 2004. A total of four (4) proposals were received from interested firms. Each firm was evaluated on the following criteria and awarded a total score. The criteria applied were understanding of the project, qualification of key personnel, the creation of a marketing plan for Barnes

Avenue, demonstrated experience with similar revitalization projects, familiarity with city, state and federally funded revitalization efforts and experience in assisting non-profit community based organizations. After the completion of the review by a panel, Century 21 Four Star Realty was selected as the firm and was recommended to the City Council to provide sales and marketing services for the Eastway redevelopment. The City Council approved the contract with Century 21 Four Star Realty at its September 20, 2004 meeting. This is the last Eastway unit to be sold under this contract.

### **Issues/Analysis**

Eastway Village is a mixed-income homeownership community developed by the City of Durham. To encourage owner-occupancy of all forty-six units at Eastway Village, a deed restriction is recorded on each individual property at the time of sale that states that during the first five years of occupancy, all dwelling units must be used by the owner of record as their principal residence. The five-year owner occupancy requirement begins at the closing date when ownership is transferred from the City of Durham to the initial owner of each dwelling unit.

Transferring ownership of this newly constructed unit will assist in increasing homeownership rates in the city and address many quality of life issues. It is important that the City respond as quickly as possible to all offers to purchase and contract for the constructed unit at Eastway Village. Failing to do so could result in the individual choosing to purchase elsewhere, and hinder the ability to meet an established real estate closing date.

### **Alternatives**

The City Council could reject the offer to purchase of Ms. Reynolds and continue to market the property located at 521-A Eastway Avenue.

### **Financial Impact**

To incentivize the sales of the remaining unsold units in the Eastway development, the Department of Community Development provided an incentive to new buyers of the difference between the original purchase price of each unit, and the current appraised value of the units. The value of the incentive or price reduction for 521-A Eastway is \$12,900.00. Additionally, rather than requiring the buyer to obtain a conventional mortgage, the City will provide seller financing at a 2% interest rate.

When a buyer is represented by an outside real estate company the City agreed to pay a commission of two and a half (2.5%) percent of the sales price of the home to the outside real estate company and two and a half (2.5%) of the sales price to Century 21 Four Star Realty. The combined 5% will be \$5,395.00. Presently there is a balance of \$2,000.00 in the Century 21/Four Star Realty contract. A total of \$3,395.00 has been transferred into the Century 21/Four Star Realty contract line to cover the \$5,395.00 the sales commission. Mortgage payments will create revenue for the City, and eliminate utility and Home Owners Association costs currently being paid by the City. Approval of this Agenda Item further authorizes the payment of this commission as per the contract referenced above. The buyer pays the closing costs.

The new owner's monthly mortgage payments will be approximately \$616.00, which would include \$137.00 for taxes and insurance, and \$129.00 for the Homeowners Association fees.

### **SDBE Summary**

This item does not require review by the office of Equal Opportunity/Equity Assurance.